UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
GENERAL

TD/B/CN.3/3
4 December 1992

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Standing Committee on Economic Cooperation
among Developing Countries
First session
Geneva, 11 January 1993
Item 3 of the provisional agenda

ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE

Review of major developments in the area of economic cooperation among developing countries

Report by the UNCTAD secretariat

GE.92-53130 (E)

CONTENTS

		Paragraphs
INTRODUCTION AND SUMMARY		1 - 5
Chapter		
I.	RECENT DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES	6 - 77
	A. Trade and trade policies	6 - 25
	1. South-South trade	6 - 17
	2. Trade policies	18 - 24
	B. Subregional, regional and interregional economic integration and cooperation	25 - 50
	1. Africa	25 - 34
	2. Asia	35 - 41
	3. Latin America and the Caribbean	42 - 47
	4. Interregional economic cooperation	48 - 50
	C. Developments in the area of monetary and financial cooperation	51 - 67
	1. Multilateral clearing and payments arrangements	51 - 55
	2. Financial flows among developing countries	56 - 59
	3. Foreign direct investment	60 - 62
	4. Regional capital markets	63
	5. Regional trade financing institutions	64 - 67
	D. Enterprise sector	68 - 76
II.	OTHER RELEVANT ACTIVITIES	97 - 103
	A. Expert Group Meeting on Trade Financing	77 - 78
	B. Expert Group Meeting on Countertrade	79 - 80
	C. Expert Group Meeting on Regional and Subregional Economic Cooperation and Integration among Developing Countries	81 - 82
	D. United Nations Chitose Forum on South-South Economic Cooperation with particular reference to Asia and the Pacific	83 - 86

CONTENTS (continued)

	Paragraphs
E. OECD/DAC Meeting on Regional Integration/ Cooperation Initiatives of Developing Countries	87 - 88
F. Technical cooperation activities	89 - 99
1. Subregional economic groupings and arrangements	90 - 97
2. Enterprise sector	98 - 99
G. Other initiatives	100 - 101
H. New initiatives	102 - 103

Tables

1. Intra-Developing Country Trade by Regions

2. Share of Manufactured Goods in Trade

3. Mutual Trade Performance of Economic Cooperation and Integration Groupings of Developing Countries, 1981 to 1990

4. Payments and Clearing Arrangements of Developing Countries

5. Trade Related Credits extended by Regional Institutions

6. Foreign Direct Investment by Hong Kong, Korea, Taiwan (Province of China) and Singapore.

Abbreviations

ACC	Arab Cooperation Council
ACU	Asian Clearing Union
AEC	African Economic Community
LAIA	Latin American Integration Association (ALADI)
AMU	Arab Maghreb Union
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
CACH	Central American Clearing House
CACM	Central American Common Market
CARICOM	Caribbean Community
CEAO	West African Economic Community
ECCAS	Economic Community of Central African States
CEPGL	Economic Community of the Great Lakes Countries
ECO	Economic Cooperation Organization
ECOWAS	Economic Community of West African States
EC	European Community
GCC	Cooperation Council for the Arab States of the Gulf
GSTP	Global System of Trade Preferences among Developing Countries
MERCOSUR	Southern Cone Common Market
MRU	Mano River Union
OAU	Organization of African Unity
OIC	Organization of Islamic Conference
PTA	Preferential Trade Area for Eastern and Southern Africa
SAARC	South Asian Association for Regional Development
SADCC	Southern African Development Coordination Conference
UDEAC	Central African Economic and Customs Union

INTRODUCTION AND SUMMARY

1. This report reviews major developments in the area of economic cooperation among developing countries in recent years, particularly since 1990. In previous reviews undertaken by the UNCTAD secretariat, including the one carried out for the Fifth Session of the Committee on Economic Cooperation among Developing Countries (see TD/B/C.7/92), it was shown that, coinciding with adverse conditions in the world economy, the ECDC process suffered serious setbacks during the early 1980s. At a time when they were required to function the most effectively, the institutional frameworks and cooperation mechanisms of ECDC proved inadequate to meet the crisis faced by member countries of groupings vis-à-vis their external sectors; fluctuations in intra-trade of the various regional and subregional groupings had induced instability in the functioning of several groupings. Some payment, clearing and credit arrangements were overwhelmed and for a long time functioned at a low ebb. The formation of various cooperation arrangements in the developing world had been conceived to stimulate and expand trade with a view, primarily, to providing economies-of-scale in enlarged markets and to do away with inefficient national import substitution policies as a basis for their development.

2. By the late 1980s, in particular since 1986, some signs of recovery in South-South trade were recorded, including within subregional and regional economic integration groupings. At the same time developing countries began to consider ways in which subregional, regional and interregional cooperation might be revitalized. The acute economic and financial crisis which many developing countries experienced provided the impetus for undertaking the kinds of economic reforms which helped them in restructuring their national economies so as to reflect adjustments to the realities of the world economy. Those reforms proved, by and large, equally helpful and conducive to successful regional cooperation. Those reforms included a shift from an inward-looking orientation and import-substitution policies towards a more open economic and political environment which promotes international competitiveness, improved trade performance, supports regional stability and generally helps these regions move forward in a wide range of areas including infrastructure, environment, good governance, science and technology, education and training. Echoing the global trend, there is now a growing realisation in the developing world that the scope of regional cooperation could and should go well beyond trade. At the same time, developing countries are recognizing that a greater involvement of the non-governmental sectors and more emphasis on communication between the public and private sectors would help to mobilise support and commitment to sustain the reforms. Thus, regional cooperation can be described as having entered a new phase.

3. In many developing countries, there has been a shift towards a market-based approach to economic development and a new emphasis on outward-oriented trade policies and a discrediting of inward-looking strategies. For instance, in Chile and Mexico and for the members of the Southern Cone Common Market (MERCOSUR) and the ASEAN Free Trade Area (AFTA), regional integration is now being undertaken alongside greater participation in the multilateral trading system. Thus, while many of these countries may not be highly integrated in certain respects, for example, in terms of intraregional trade, there is nevertheless a growing recognition that they are

highly interdependent and are becoming increasingly like-minded; these factors have been shown to be critical for success.

4. The new open, liberalized policy and programme orientations of economic cooperation among developing countries are consonant with the policies and objectives pursued by the developed donor countries. It has policy and operational implications for the latter. It would include, for instance, the need for greater attention to assist a process towards the mutual reinforcement of national and regional level objectives and efforts in the developing regions, or helping in achieving a better concordance between their regional orientations and structural adjustment and policy reforms. At an operational level, the range of responses available to the donor countries may include capacity-building for regional initiatives; policy-based programme assistance; assistance designed to facilitate the creation of regional infrastructure, supporting regional initiatives including those in support of environmental reorientations.

5. Chapter I of this report provides an evaluation of South-South trade and trade policies, mainly from 1986 to the most recent year for which figures are available. It also provides a brief account of developments in the main subregional and regional economic groupings, in monetary and financial cooperation, as well as in enterprise cooperation. In chapter II other important activities relevant to ECDC are described. In addition, an attempt is made in chapter II, section E, to summarize the perception of the donor community regarding policy and operational implications for them as they consider the new policy and programme orientation in support of economic cooperation efforts of developing countries.

CHAPTER I

RECENT DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

A. Trade and Trade Policies

1. South-South Trade

(a) General trends

6. Trade among developing countries in general has been on the rise since 1986, showing some recovery from its decline in the first half of the 1980s. During the early 1980s, many developing countries faced severe external debt problems, which caused a deterioration in general economic condition and suppression of imports. Table 1 shows that South-South trade decreased from US$ 138 billion in 1980 (or 6.9 per cent of the total world trade) to US$ 114 billion in 1986 (5.4 per cent). The reversal came around in 1986. South-South trade then increased to US$ 252 billion in 1991 (7.2 per cent).

7. The recovery of South-South trade however is largely due to the high rate of economic growth in some East and South-East Asian countries, particularly in the manufacturing sector, accompanied by a rapid expansion in trade both to and from the region. According to table 1, in current dollar terms, the South and South-East Asia region's imports from and exports to the developing world (including the trade within the region) increased more than threefold during the period 1986 to 1991. This economic expansion has been characterized by a significant increase in intraregional trade, which had increased almost fourfold from 1986 to 1991. It now accounts for more than 80 per cent of the region's trade with all of the developing countries. There has also been increased inter-industry trade (see for example, Anderson, 1991 1/) and vertical intra-industry trade (see, for example, Jones, et al., 1992 2/), showing the diversity of economies in the region which creates natural comparative advantages among them.

8. The economic growth of East and South-East Asia had some spill-over effects on the other developing regions as well. The exports to South and South-East Asia increased for every developing region in the second half of 1980s.

9. The increase in South-South trade, in particular to and from South East Asia, however, does not obviate the fact that this trade still continues to be the "weakest link" in world trade. South-South trade represented only 7.2 per cent of total world trade in 1991; even exports to South and South-East Asia accounted for only 3.2 per cent of total exports from Africa and 6.5 per cent of the exports from Latin America, both well below the world average of 14 per cent (table 1). These figures may suggest that there is still significant room for expansion in the near future of trade between developing countries and, in particular, the South-East Asia region.

(b) Export structure and regional characteristics

10. The product structure of South-South trade significantly changed over the last decade. In the 1970s and 1980s, commodities (non-manufactured goods) represented more than two thirds of trade flows among developing countries. By 1990, their share had declined to less than 40 per cent. This shift essentially reflects the changes in the developing countries' industrial structure. Indicative of this structural change, the share of manufactured exports from the developing countries to the world, including developed countries, was also on the rise throughout the 1980s.

11. The change in export structure, like other trade figures, is led by the South-East Asian countries, which in 1991 exported more manufactured goods (78.5 per cent of the total exports) than the world average (73.2 per cent) which includes developed countries. It appears that there is little structural difference in the exports from this region to the developing and developed countries.

12. African countries conversely exported mostly to the developed countries (87 per cent) and mainly commodities (82 per cent of their total exports to the world). Also, the level of exports did not show recovery like other developing regions, still remaining much lower in 1991 than in 1980 (see table 1).

13. For the exports from West Asia, the share of manufactured goods was as low as in Africa (both less than 20 per cent), reflecting the fact that most of their exports can be categorized as fuel. Its export destination, however, was not as biased towards developed countries as in the African case.

14. Latin America has the second highest share of intraregional trade among developing regions. Compared to South and South-East Asia, however, the share of manufactured goods in its exports was substantially lower (37 per cent compared to 79 per cent). Also, its exports of manufactured goods were not as evenly distributed as those from South and South-East Asia.

(c) Intraregional and intra-grouping trade

15. As with South-South trade in general in the latter half of 1980s, trade among developing countries within each region has been increasing, except for West Asia (see table 1). The share of intraregional trade in total South-South trade rose from 48 per cent in 1980 to 57 per cent in 1986, and to 71 per cent in 1991, implying steady regionalization of South-South trade during this period.

16. The trade within regional and subregional integration groupings, which makes up a part of intraregional trade, in general ceased to decline after 1986; in some cases, it subsequently showed a modest improvement. Table 3 shows that during this period intra-grouping trade has been either: (i) growing steadily but slowly (e.g. ASEAN, UDEAC, CARICOM); (ii) basically expanding albeit with some fluctuations (e.g. ECOWAS, GCC, ECO); or (iii) stabilized at a level higher than the pre-crisis level of 1981 (e.g. the Andean Group, Bangkok Agreement, CEPGL).

17. The importance of intra-grouping trade varies from one grouping to another, even within the same region. Only in a few groupings such as ALADI, ASEAN, CACM and CEAO, intra-grouping trade accounted for 10 per cent or more of the overall trade of the member countries. In most other groupings, the share remains marginal, well below 10 per cent.

2. Trade policies

18. Since the mid 1980s, many developing countries have adopted outward-oriented trade policies; e.g., Mexico, Thailand, Malaysia, Zimbabwe. A study by the World Bank (Thomas and Nash, 1991 3/) lists 38 "trade reformer" developing countries, including most of the largest developing countries. UNCTAD Trade and Development Report 1991 (UNCTAD/TDR/11) also lists a group of 31 countries that made tariff reductions and/or eliminated non-tariff measures. Generally, these new trade policies are part of broader development strategies and reforms of economic policies.

19. These new trade policies usually consist of a real devaluation of overvalued currencies, a reduction of tariffs and non-tariff measures and the implementation of export-promoting policies, such as export subsidies and income tax rebates for exports.

20. Normally, these reforms were initiated unilaterally outside the framework of a larger regional scheme or a multilateral agreement. 4/ However, given the generally high trade barriers which existed before the reforms between developing countries, these policies may have contributed to the increase in intraregional trade among developing countries described in the previous section.

21. On the interregional level, the most promising trade policy initiative has been the Global System of Trade Preferences (GSTP) among developing countries. The first round of negotiations was concluded in 1988 in Belgrade; 40 of the 48 countries signing had ratified the agreement by July of 1992. Concessions were made on about 1,700 tariff lines, on a product-by-product basis. The second round, which started in 1992, was expected to be concluded in 1994 (c.f. para. 49). Initiatives aimed at fostering regional/subregional cooperation are detailed in the next section.

22. Another feature of developing countries' current integration efforts is the renewed interest in North-South cooperation schemes. The creation of the North America Free Trade Zone (NAFTA) is an example of this trend. The draft accord of the NAFTA treaty announced in August 1992 provides for a phasing out of import duties over a period of 15 years. Current membership is limited to Canada, Mexico and the United States of America but the agreement stipulates that other countries may join in the future. The European Community, apart from maintaining its traditional cooperation with the ACP countries (the IV Lome Convention was signed in 1991), is also engaged in developing closer trade cooperation arrangements with some developing countries groupings such as CACM and ASEAN.

23. Related to these developments is the emergence of what may be called de facto regional integration, i.e., an increase in regional exchanges and links among neighbouring countries without formal government intervention and

agreement. The best example of this de facto integration is the Chinese Economic Area (CEA) comprising Hong Kong, the People's Republic of China and Taiwan Province of China. The share of intra-CEA trade in total CEA trade grew from 10 per cent in 1970 to 38 per cent in 1990. During the same period, the share of intra-CEA trade in world trade grew from 1.2 per cent to 4.2 per cent (see Jones et al. op. cit.). Other examples can be found in the border trade taking place in some developing countries. These experiences seem to imply that the development of de facto economic integration may depend on strong historical and cultural ties among the countries of the region and/or a presence of countries with strong economic growth.

24. While the reforms and new policies described above may have contributed to intraregional trade, national trade policies have not yet been effectively coordinated on regional/subregional bases. Moreover, there are still barriers (tariff and non-tariff) facing intra-developing-country trade. Among the principal non-tariff barriers are monetary and financial impediments. These are discussed in section C below.

B. Subregional, regional and interregional economic integration and cooperation

25. For most of the 1980s, the process of economic integration among developing countries has been in crisis. Towards the end of that decade, however, developing countries began undertaking policy adjustments geared to accelerating, consolidating and expanding economic cooperation and integration efforts within the existing subregional and regional framework, as well as launching new initiatives. These efforts have focused on common market processes, development of complementary production structures, transport and communication linkages, cooperation in political matters, strengthening of monetary harmonization and financial cooperation, and, establishment of trade-facilitating mechanisms and encouragement of cooperation among enterprises.

1. Africa 5/

26. One development of major significance in Africa has been the signing of the Abuja Treaty establishing the African Economic Community (AEC) in June 1991 by the Summit of OAU Heads of State and/or Government (for more detailed analysis of the African situation see the UNCTAD study entitled "Regional and subregional economic integration and cooperation among developing countries: adjusting to new realities (the African case) (UNCTAD/ECDC/228, 5 August 1992). The objective of the AEC, in brief, is to mobilize, coordinate and utilize, on a continental scale, resources of African countries so as to promote their economic, social and cultural development and integration. The Abuja treaty embodies a plan providing for the progressive creation of the AEC over a period not exceeding 34 years from the date of its entry into force (art. 6 of the Treaty). The treaty has been submitted to the member States of OAU for ratification.

27. In the Arab Maghreb Union (AMU), established in 1989, member States have been setting up the institutional framework of the Union. They also have adopted sectoral policy objectives and measures pertaining to a trade liberalization programme, a bank for investment and external trade, food production and trade as well as the development of industrial capacities and

complementarities. AMU countries in recent years have been undertaking formal consultations with the European Economic Community to promote closer formal ties.

28. The Central African Customs and Economic Union (UDEAC) has been carrying out a major reform of its secretariat structure, customs and fiscal instruments. This has consisted mainly of simplification of the common external tariff structure and the reduction of its level according to different categories of imported goods. The single tax system on which UDEAC intra-trade was once based has been replaced by a preferential tariff. UDEAC intra-group trade has been slowly increasing since 1987, rising from 3.2 per cent of total UDEAC trade to 4.3 per cent (US$ 180 million) in 1990 (see table 3).

29. The eighth Summit of the Heads of State and Government of the Economic Community of Central African States (ECCAS) in May 1992 noted that, in the light of the unfavourable political and economic situation in member States, there has been a decline in the Community's activities. Intra-ECCAS trade has been rising slowly since 1986 from 2.8 per cent of total ECCAS trade to 3.8 per cent (US$ 210 million) in 1990 (see table 3).

30. In the Economic Community of the Great Lakes Countries (CEPGL), projects which are being implemented include: a feasibility study on the setting-up of a joint pharmaceutical laboratory; the establishment of a trade document centre; the formation of an integrated forest industries complex; and a fishery development project. Political disturbances in two member States, Rwanda and Zaire, have affected negatively the pace of CEPGL cooperation efforts. The Community's intra-trade has basically stagnated at around an average of 0.7 per cent of its total trade (or about US$ 8 million) since 1986 (see table 3).

31. In the Economic Community of West African States (ECOWAS), the trade liberalization programme launched on 1 January 1990 was initially for a limited number of industrial goods. ECOWAS trade liberalization has been tied to a financial scheme for compensating member States for loss of fiscal revenue resulting from the implementation of the trade liberalization programme. Intra-ECOWAS trade has been basically fluctuating at around an average of 7.7 per cent (or US$ 1.2 billion) of its total trade since 1986 (see table 3). ECOWAS member States also agreed to create a single monetary zone. Finally, ECOWAS has carried out a major review of its Treaty arrangements with a view to strengthening its secretariat, finding solutions to the problem of inadequate budgetary support, and expanding cooperation programmes to cover political matters (such as subregional parliament and mechanisms for resolving political disturbances) and social sectors. The revised Treaty is under consideration by ECOWAS member States.

32. Cooperation efforts in the Mano River Union (MRU) have been hampered by the civil war in Liberia, a member State. Nevertheless the Union has continued to operate in a number of areas such as the coordination of national macroeconomic policies and elaborating a subregional industrial development plan in collaboration with ECOWAS. Intra-MRU trade has increased from 0.4 per cent (US$ 4 million) of the Union's total trade in 1986 to 0.7 per cent in 1990 (US$ 6 million) in 1990 (see table 3).

33. The tenth Preferential Trade Area for Eastern and Southern Africa (PTA) Summit of Heads of State and Government in January 1992 advocated accelerating the subregional economic integration process. To this end, PTA has adopted a Trade and Development Strategy aimed at promoting and strengthening monetary and financial cooperation, as well as cross-border investment; creating a common market by the year 2000 and increasing intra-PTA trade to more than 20 per cent of the group's global trade (compared with the current level of about 6.0 per cent (see table 3)). It also seeks enhanced cooperation in agriculture, industry, transport, communications, energy, natural resources and environmental management. The strategy also recognized the importance of the role of women in development as well as that of the private sector in subregional integration efforts.

34. The political and economic changes in its subregion and in Africa as a whole have compelled the Southern African Development Co-ordination Conference (SADCC) to redefine and reassert its role. Subsequent to the January 1992 Consultative Conference whose theme was "SADCC: Towards Economic Integration", the 10 SADCC countries, in August 1992, signed a new treaty transforming SADCC into a formal and legally binding integration organization henceforth known as the Southern African Development Community (SADC).

2. Asia

35. Revival of subregional and regional cooperation in Asia has been manifested in the adoption of new projects for closer economic cooperation in existing groupings and the adoption of new initiatives for regional cooperation, including that with developed countries.

36. The Arab Cooperation Council (ACC), formed in February 1989, has had difficulties in developing its institutional and policy framework for cooperation, mainly due to political tension in the Gulf region.

37. The fourth Summit of Heads of State of the Association of South-East Asian Nations (ASEAN) in January 1992 agreed on a major overhaul of the organization's institutional machinery and cooperation programme, including holding of summit meetings every three years; establishment of a Ministerial Council to supervise the formation of a free trade area; restructuring of its secretariat and the establishment of a Senior Economic Officials Meeting to replace the existing ASEAN economic committees; and, the creation of an ASEAN Free Trade Area over 15 years beginning on 1 January 1993. Trade among the ASEAN countries has been increasing steadily since 1986, growing from 17.6 per cent of total ASEAN trade to 18.5 per cent (or US$ 26.3 billion) in 1990 (see table 3). The Summit also agreed on intensifying cooperation with ASEAN dialogue partners and strengthening mechanisms for such cooperation. In addition, agreement was reached by the Summit on institutionalizing discussions on political and security matters among themselves and with major external partners (c.f. para. 102).

38. In the Bangkok Agreement, following the completion of the second round of trade negotiations in May 1990, priority was placed on enlarging the membership to include potential Asian and Pacific developing countries which had indicated their intention to join the Agreement. In this connection, work has been continuing on the accession of Afghanistan and Papua New Guinea to

the Agreement. Trade among the Bangkok Agreement countries has remained relatively unchanged since 1987, at around 1.6 per cent (or US$ 1.2 billion) of its total trade (see table 3).

39. In the Cooperation Council for the Arab States of the Gulf (GCC), efforts to consolidate national markets into the subregional entity have continued. GCC intra-group trade has been fluctuating around an average of 5.3 per cent (US$ 3.2 billion) of its total trade since 1986 (see table 3). GCC countries have also been negotiating with the European Economic Community on the establishment of a trade cooperation agreement between the two groupings.

40. The membership of the Economic Cooperation Organization (ECO) has been enlarged to include the newly independent Central Asian Republics of Azerbaijan, Turkmenistan and Uzbekistan. In 1990 the Treaty establishing ECO was revised with a view to imparting new dynamism into the Organization and, among other things, improving its programmes for intra-group trade expansion and industrialization. ECO has undertaken a commitment to establish free trade among its member States in selected products, beginning with a 10.0 per cent preferential tariff reduction. ECO intra-group trade has been fluctuating at an average of around 5 per cent (or US$ 1.5 billion) of its total trade since 1987 (see table 3).

41. The Summit of Heads of State of the South Asian Association for Regional Cooperation (SAARC) in December 1991 adopted the "Colombo Declaration" which provides, among other things, for the creation of a Preferential Trade Area among SAARC member States. Other proposals which are to be subjected to detailed analyses include cooperation in poverty alleviation, food security, a free trade area concept, a payments union and a development bank.

3. Latin America and the Caribbean

42. This region has witnessed, in addition to revitalization efforts within existing groupings, the formation and/or proposal of new bilateral/trilateral free trade agreements, including between mainland and island Caribbean countries. For example Colombia, Mexico and Venezuela (the Group of Three) have agreed to establish a free trade zone by July 1994. Mexico has also signed a bilateral free trade agreement with Chile, in addition to NAFTA.

43. In the Andean Group, in conformity with the decision of the Heads of State meeting of December 1991, a free trade area officially became operational as of 1 January 1992. The Heads of State had also agreed to launch a customs union involving all member States at that same date. However, the customs union took effect in March 1992 for Colombia and Venezuela only. With regard to the Andean Group's intraregional trade, except for a brief period in 1987 and 1988, its share in the Group's total trade has stagnated at an average of around 3.5 per cent since 1985. The value of intraregional trade has increased from over US$600 million in 1985 and 1986, to an average of over US$1 billion between 1987 and 1991.

44. During the twelfth Caribbean Community (CARICOM) Conference of Heads of State in July 1991 on Saint Kitts and Nevis, it was noted that not all member States had respected the target date of January 1991 for the implementation of the Community's revised common external tariff. The Summit agreed to set up a

common currency for CARICOM and to establish a special investment fund with initial capital of US$ 50 million. Regarding external cooperation, Colombia had requested observer status with CARICOM; Venezuela proposed the formation of a free trade area with CARICOM. CARICOM intra-group trade has been increasing slowly since 1987, from 3.0 per cent of the Community's total trade to 4.0 per cent (or US$ 273 million) in 1990 (see table 3).

45. The revitalization efforts in the Central American Common Market (CACM) have also gained momentum. In December 1991, the presidents of Central American countries signed an agreement on the establishment of a Central American Integration System (SICA) which will regroup under it all existing subregional integration institutions. The countries concerned are presently discussing the modalities of the restructuring process. Moreover, CACM signed a free trade zone with Mexico (in January 1991) to be become effective by December 1996. The main goal of this initiative is to help increase CACM exports to Mexico in order to reduce the huge oil debt owed by the former to the latter. Regarding the Central American Clearing House (CACH), which had suspended operations in 1984, a plan of restructuring and refinancing developed with financial and technical assistance from the European Economic Community has been put into place. CACM intra-group trade has shown some signs of growth after 1986: its percentage share of the grouping's aggregate trade rose from 13.2 per cent in 1987 to 15.8 per cent (or US$ 664 million) in 1990 (see table 3).

46. In an effort to promote regional trade liberalization and also expand regional trade, the member States of the Latin American Integration Association (ALADI) agreed in 1990 to double the regional tariff preference from an average of 10 to 20 per cent before the end of 1992. While the value of ALADI intra-group trade has been steadily increasing from US$ 8.2 billion in 1986 to US$ 11.7 billion in 1990, its percentage share in the grouping's total trade for the same period had remained largely unchanged, at an average of about 10.7 per cent (see table 3).

47. The Southern Cone Common Market (MERCOSUR), a new grouping launched on 26 March 1991 with the signing of the Treaty of Asuncion by Argentina, Brazil, Paraguay and Uruguay, aims to create a subregional common market by the end of 1994 for Argentina and Brazil (consistent with their own bilateral common market target date), and including Paraguay and Uruguay by the end of 1995. The main policy objectives are: free trade in goods and services; a common external tariff at 20 per cent; coordination and harmonization of macroeconomic policies in the sectors of trade, customs, fiscal and monetary policy, technical rules, maritime transport, land transport, industry and technology, agriculture, energy and macroeconomic policy. The Summit of the Presidents of MERCOSUR in June 1992 agreed to produce a time-table for convergence of economic policies by October 1993. They also agreed, together with Bolivia, to launch a project for developing the Paraguay-Parana river network.

4. Interregional economic cooperation

48. The Ministerial Meeting of the participants and signatories to the Global System of Trade Preferences among Developing Countries (GSTP) which took place in Tehran in November 1991, on the occasion of the 7th Ministerial Meeting of

the Group of 77, adopted a declaration launching the second round of GSTP negotiations. The aim of the second round is to broaden the participation of developing countries, in the GSTP, widen product coverage and deepen preferences which would create a large and dynamic preferential market. The opening meeting of the Second Round of Negotiations was held in July 1992 in Geneva. The GSTP Agreement has been signed by 48 countries, leaving a further 80 countries still to sign. Among those countries which have signed the GSTP Agreement, 40 have also ratified it.

49. The sixth Summit of Heads of State of the Organization of Islamic Conference (OIC), held in December 1991, focused on political issues such as the Gulf crisis and the peace process in the Middle East. The Republic of Azerbaijan was admitted as a full member of OIC by the Summit. The programme to establish an OIC preferential trade agreement has experienced some delay as the relevant legal agreement was not ratified by the required minimum number of member States.

50. The Summit Level Group for South-South Consultation and Cooperation (Group of 15) has been implementing some of the projects in its programme of action adopted in June 1990. For example, the South Investment, Trade and Technology Data Exchange Centre was established in Malaysia following the adoption of its Statutes. It will operate as a business, providing consultancy services (advice and information) to small and medium-size industries. A number of bilateral payment agreements' (BPAs) have also been designed and implemented; Malaysia, for instance, has set up several such arrangements with Latin America and African countries including Chile, Mexico, Venezuela and Nigeria.

C. Developments in the area of monetary and financial cooperation

1. Multilateral clearing and payments arrangements

51. Experience with the clearing and payments arrangements of developing countries shows that they have proved a useful instrument for promoting monetary and financial integration. However, following the development of the debt problem and the resulting financial squeeze in the 1980s, they began to face serious difficulties.

52. The present situation with regard to the various payments arrangements may be summarized as follows:

(a) In Asia, where developing countries have not only maintained a relatively high growth rate but also a more stable one, clearing and payments arrangements continued their operations unaffected by the above-mentioned crisis. In the case of the Asian Clearing Union (ACU), the volume of transactions channelled through the system increased by 34 per cent in 1991 over 1990. The volume of balances settled in foreign exchange also decreased in 1991 to 23 per cent. A major financial innovation concerning the establishment of a swap arrangement has also been implemented to expand the activities of payments within ACU. The ACU membership was enlarged by two new members from Central Asia in 1991 and 1992.

(b) In Africa and the Caribbean, economic growth and financial liquidity were low and unstable; this was reflected in the level of operations of the credits and payments arrangements of these subregions. In the case of the Central African Clearing House, the situation culminated in the suspension of operations, as was the case for the CARICOM facility. A new clearing house for the Economic Community of Central Africa was put in place but the level of operations in 1990 and 1991 was insignificant; in 1990, transactions channelled through the system stood at 1.1 million, less than 1 per cent of intra-trade (see table 4).

(c) In Latin America, the shortage of foreign exchange forced the LAIA member countries to revive the Multilateral Payments and Clearing System which had been de facto non-operational for almost two years. 6/ Two new mechanisms were introduced in May 1991. First, the Automatic Payment System, which offers central banks automatic access to credit or debit positions with other central banks. Secondly, a short-term credit facility which enables each central bank in the case of a liquidity shortage to extend the settlement period by an additional four months (the current maximum period is four months). Central banks members of LAIA may make use of this arrangement twice a year. Since the first quarter of 1989, the volume of transactions channelled through the clearing house has been increasing continuously with the volume of intraregional trade exceeding the level of $10 billion per year as compared with $7.7 billion registered in 1986 (see table 4). However, since total payments channelled through the system not only include current trade transactions but also interest payments and credit lines, these figures may overestimate the share of trade channelled through the system.

53. A major cause of the crisis now facing most clearing arrangements has been the unprecedented accumulation of unpaid balances on the part of countries with deficits in intraregional trade balances. From insignificant levels before 1981, total Latin-American intraregional debts had increased to $3 billion in 1983 and to an unmanageable level of 12 billion in 1988.

54. From a broader perspective, the crisis in regional payments and credits arrangements is one aspect of the overall balance of payments and the external debt crisis that has affected the developing countries since the early 1980s. Although clearing and payments schemes were designed to save on the use of foreign exchange in the conduct of intraregional trade, they nevertheless depended on foreign exchange, since these were ultimately required to settle net trade balances. The financial illiquidity as manifested in foreign exchange shortages, coupled with the inability of most developing countries to move to currency convertibility, can be considered as a fundamental cause of the malfunctioning of the multilateral payment schemes.

55. The response of most central banks in ECOWAS, CACM and CARICOM to the foreign exchange shortage was to introduce foreign exchange licences and in the case of Central African Clearing House and ALADI, the suspension of the credit facilities that had functioned in combination with the multilateral clearing systems. Both developments created trade barriers, which had an especially damaging impact on intra-group trade.

2. Financial flows among developing countries

56. Since the mid 1970s, financial flows among developing countries have been mainly from OPEC donor countries and OPEC institutions. Their volume tended to fluctuate with the price of oil and the external positions of the donor countries. Thus, after reaching a peak in the early 1980s, the volume fell sharply during most of the 1980s. However, in 1990 the total amount of development assistance provided by the Arab countries more than quadrupled in 1990 over 1989, reaching $ 6.3 billion. 7/ According to these OECD statistics, more than half of the total aid in 1990 was provided by Saudi Arabia (58.4 per cent). It amounted to $3,692 million. This was followed by Kuwait ($1,666 million) and UAE ($888 million).

57. The bulk of this financial assistance was in grants non-project funds and provided on a bilateral basis. In addition to assistance for the ministries of finance, the Saudi Fund, the Kuwait Fund and Abu Dhabi Funds for development all provided loans and technical assistance for development projects.

58. The Gulf Co-operation Council has launched a plan to revitalize the private sector in the Arab countries. Under this plan, it is envisaged that some $15 to 18 billion will be channelled to private sector enterprises through an investment fund along the lines of the European Investment Bank.

59. Several other developing countries provide assistance in the form of financial and technical training. The OECD secretariat figures indicate that China, India, Republic of Korea, Taiwan Province of China and Venezuela all extend some form of development finance. In 1990, China extended some $495 million, India $180 million, Republic of Korea $77 million followed by Taiwan Province of China $60 million and Venezuela $41 million.

3. Foreign direct investment

60. Within developing countries, a sharp increase in direct investment flows from some Asian economies reflects the presence of large corporate groups and a growing number of small and medium-sized enterprises from Asia expanding abroad, particularly into other neighbouring developing countries.

61. Foreign direct investment is substantial from Hong Kong, Republic of Korea, Singapore and Taiwan Province of China (see table 6). Among developing countries, these investment flows have been focused within South-East Asia and China. However, in future the Latin American countries, as an alternative investment outlet offering low labour cost and better access to the North American market, may attract more export-oriented projects from the NIEs. For example, Republic of Korea has already made substantial investments in Mexican industries.

62. In other Latin American countries, the improvement of the external debt situation and the deregulation of investment flows have stimulated the inflow of foreign investment. This process has not only favoured regional integration and cooperation processes but also has encouraged more countries within the region to liberalize their economies. Flows of direct investments

from neighbouring countries have been further facilitated by the privatization of state-owned companies. In the Caribbean offshore centres, investment and finance in export-oriented manufacturing remains relatively high.

4. Regional capital markets

63. Regional cooperation among capital markets is another important step aimed at fostering integration groupings. Experience, however, in this area has been rather modest. Latin American attempts to coordinate capital markets along the European Economic Community model are very recent. One of these coordination efforts is the initiative of some CARICOM member countries to introduce a Caribbean Stock Exchange featuring cross-listing and trading on the countries' stock markets.

5. Regional trade financing institutions

64. Most of the regional trade financing institutions of developing countries have been designed with the aim of providing short- and medium-term credits for the financing of their mutual trade as well as their export trade with developed countries. Their main objective is to supplement trade finance provided by national and international financial institutions.

65. Apart from the credit and payments arrangements discussed above, there are five regional trade financing institutions of developing countries. These are: (i) the Latin American Export Bank (BLADEX); (ii) the Andean Trade Financing System (SAFICO); (iii) the Inter-American Development Bank (IDB) Trade Financing Facility; (iv) the Islamic Development Bank (IsDB); and (v) the Arab Monetary Fund Trade Financing Programme. Two of these, the IDB and the IsDB, are development finance institutions which have expanded their activities to cover trade financing operation of member countries. BLADEX is a private multilateral bank which specializes in the promotion of exports from Latin America, while the Andean Trade Financing System is operated by the Andean Development Corporation for the financing of non-traditional exports of goods from the Andean countries to the subregion. Table 5 provides data on the scale of operations of these trade financing institutions in recent years.

66. These figures show that all the regional trade-financing schemes of developing countries combined have extended US$ 1.55 billion in 1989 (see table 5) or the equivalent of 2.8 per cent of the total value of exports of non-traditional goods to other developing countries. This highlights the limited and relatively minor scope of the trade-financing credits extended by regional and subregional institutions. However, a disaggregated analysis reveals that the relatively less well-off economies of the subregions have obtained some fairly significant financial assistance through the regional facilities.

67. Although it is extremely difficult to evaluate the adequacy of these credits against the needs for export finance of the smaller economies, it is nevertheless possible to conclude that the loans extended have been of significant importance to their overall trade-financing needs.

D. Enterprise sector

68. In the past, ECDC has been essentially an intergovernmental framework in which the role of the business community has been modest. As a result, traders, industrialists and other economic operators did not make use of trade preferences or investments opportunities offered within the ECDC framework. In recent years, however, developing countries have started to promote cooperation at the enterprise level, including through the establishment of joint ventures, meetings of Chambers of Commerce and Industry and of trading enterprises, as well as setting up of associations thereof.

69. The meeting of Chambers of Commerce and Industry of the Group of 77 which first took place in 1988 in Rio de Janeiro was followed by subsequent annual meetings in New Delhi (1989), Harare (1990), Havana (1991) and Jakarta (1992). A Steering Committee responsible for the preparation of the annual meetings follows-up on the decisions taken by the meetings.

70. One such decision relates to the establishment of a global trade and business information network which has been proposed to be linked with regional networks to be set up as well. Proposals to that effect are being considered, while a Master Plan was adopted in 1992. Another decision was that on the institutionalization of the annual meetings under the name of the Conference of Chambers of Commerce and Industry, and the establishment of a provisional secretariat performed by the Chamber of Commerce of the country or the city hosting the Conference, pending the establishment of an Association of Chambers of Commerce and Industry of Developing Countries members of the Group of 77. Also, during the meetings, initiatives were taken with a view to promoting investment and other joint ventures, technological and industrial cooperation, as well as cooperation in research and training.

71. The process of creating multinational enterprises among developing countries continued in recent years, as is apparent from surveys undertaken by the UNCTAD Secretariat (please refer to documents UNCTAD/ECDC/222, UNCTAD/ECDC/223 and TD/B/C.7/50). The capital of such enterprises is subscribed by public or private investors originating from the regions where the enterprises are established or by such investors and others originating from other developing regions. This kind of enterprises cover a wide range of areas including mining, industry, food production, banking, transport and other services.

72. At the subregional level, many economic cooperation and integration groupings such as the Andean Group, UDEAC, ECOWAS, PTA, CARICOM, ASEAN, have established rules for this type of enterprises and some of these groupings are now revising these rules with a view to making them more flexible and more appealing to private investors including from developed countries.

73. A number of business missions, meetings and seminars have been organized in recent years for enterprises of developing countries, particularly in the framework of technical assistance projects. Thus, a business mission of entrepreneurs from some African countries to Argentina was organized in May 1990 during which a buyers' and sellers' meeting on food products, car spare parts, phosphate-based chemicals and fertilizers was held.

74. A meeting of African Trading enterprises was held in June 1991. It led to the setting up in December 1991 of the Association of African Trading Enterprises (ASATRADE) both as an instrument of cooperation for mutual trade expansion and as a counterpart for similar organizations in other developing regions, in particular with the Association of Latin American Trading Enterprises (ALAT), established in 1988.

75. Another meeting of enterprises from Africa, Asia, Latin America and Europe was organized in May 1992 in Havana, in cooperation with the Ministry of Foreign Trade and the Chamber of Commerce of Cuba. The participants discussed ways of promoting inter-enterprise cooperation and trade expansion. These included: elimination of tariff and non-tariff barriers to South-South trade; fuller use of the GSTP; improved cooperation among shipping companies; more intensive use of Free Zones and the linking of trade information systems and databases to improve the access of traders to relevant commercial and investment information and to business opportunities. In November 1992, a meeting of trading enterprises of Asian and Latin American countries of the Pacific Rim was held in November 1992 in Santiago, Chile, to discuss mutual trade expansion, joint ventures and other business opportunities, transport and communications, trade financing, and the possibility of establishing a mechanism for cooperation among these enterprises.

76. In Asia, a feasibility study on the establishment of a Regional Investment Information and Promotion Service (RIIPS) was undertaken in 1991 and submitted to an Expert Group Meeting which was held in Seoul in June 1992, in collaboration with the Government of the Republic of Korea. A Work Plan was adopted with a view to leading to the establishment of the RIIPS in Seoul as early as possible in 1993.

CHAPTER II

OTHER RELEVANT ACTIVITIES

A. Expert Group Meeting on Trade Financing

77. The Secretary-General of UNCTAD convened a group of high-level experts to advise him on the question of trade-financing mechanisms in and among developing countries. The group met in Geneva from 11 to 12 July 1991, and considered the documentation prepared by the secretariat for the Trade and Development Board on the issue of trade finance including the assessment of the feasibility of establishing an interregional trade financing mechanism for developing countries (ITFF). The meeting was attended by 20 experts from developed and developing countries and eight observers. Among them were experts from national export-import, finance or insurance institutions or banks. Also in attendance were representatives from the Group of 77 in New York and Geneva and from the Asian Development Bank.

78. The experts considered the three documents prepared by UNCTAD (TD/B/1300 and its Supplements 1 and 2) and discussed at length the technical and substantive issues raised in these documents. In their report, the experts "concurred with the findings of the secretariat and that the financial infrastructure of most developing countries suffer several gaps". They also agreed that "a facility which finances and refinances in foreign-exchange developing country exports can be comercially feasible", noting that "such a facility would bring financial additionality, pool risk, provide credit and trade-information and secure scale economies and cost advantages." The experts recommended certain modifications in the scope and operational features of the proposed facility. These were all reflected in the documentation which was subsequently presented to the Trade and Development Board at its thirty-eighth session (TD/B/(XXXVIII)/Misc.3, 20 September 1991).

B. Expert Group Meeting on Countertrade

79. An Expert Group Meeting composed of experts from developing, developed and Eastern European countries was convened by UNCTAD in November 1991 in Geneva, on the subject of "Countertrade in Developing Countries: Debt, Legal and Services Aspect." The Expert Group clarified some of the legal, financial and practical issues relating to countertrade and highlighted the positive aspects of this trade practice such as hard currency saving, trade-generation in situations of severe scarcity of foreign exchange and/or debt-servicing problems, developmental potential for some forms of countertrade.

80. However, in view of the various misunderstandings concerning the real character and effects of countertrade, the Expert Group stressed the need for making this form of trade better known to policy-makers, traders, academics, regional development and commercial banks as well to the international financial and trade organizations. In this connection, the Expert Group recommended a number of measures, including studies geared to clarifying the role of countertrade practices and seminars and other training events for the above-mentioned categories of people (c.f. "Report of the Expert Group Meeting on Countertrade in Developing Countries: Debt, Legal and Services Aspects," 14 January 1992, UNCTAD/ECDC/224).

C. Expert Group Meeting on Regional and Subregional Economic Cooperation and Integration among Developing Countries

81. The emerging new realities on the international scene have generated new thinking, attitudes and approaches regarding the development problematic. Hence the need was felt to gather experts to assess the opportunities and challenges facing developing countries in their endeavour to revitalize ECDC in the 1990s and beyond into the twenty-first century. Thus, an Expert Group meeting on Regional and Subregional Economic Cooperation and Integration among Developing Countries was convened by UNCTAD in December 1991 in Geneva.

82. The Expert Group stressed that changes in the international scene had also given new impetus to the ECDC process as well as underscored its continuing validity politically (in terms of bargaining power), economically (market and financial integration) as well as other developmental issues of joint concern (environmental degradation, for example). In order to tap the potential of ECDC, priority attention should be devoted to the following areas: structural adjustment and aid, clearing arrangements, trading blocs, cooperation between groupings, science and technology, international support, and investment and business and transport linkages. The Expert Group also made an assessment of subregional and regional integration and cooperation in Africa, Asia and Latin America ("Report of the Expert Group Meeting on Regional and Subregional Economic Integration and Cooperation among Developing Countries," 6 August 1992, UNCTAD/ECDC/229).

D. United Nations Chitose Forum on South-South Economic Cooperation with particular reference to Asia and the Pacific

83. The United Nations Chitose Forum on South-South Cooperation with particular reference to Asia and the Pacific, organized jointly by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations University (UNU), met from 11 to 15 May 1992 in Chitose City, Hokkaido, Japan. The participants included policy-makers, business executives, researchers and senior-level officials from the Asian Development Bank (ADB), the Commission of the European Communities, the World Bank, the Organisation for Economic Cooperation and Development (OECD), Economic and Social Commission for Asia and the Pacific (ESCAP), United Nations Department of Economic and Social Development. On the agenda were the various issues related to South-South cooperation, particularly in Asia and the Pacific. The Forum took account of the radical structural changes underway in the world economy, the end of the Cold War, the emergence of many independent republics, and the standstill in the Uruguay Round, among other issues. The substantive discussions also embraced such questions as the process of regionalization, the growing tendency towards multinationalization of production and internationalization of trade as well as the important role of Foreign Direct Investment (FDI) in strengthening economic linkages among countries around the globe.

84. The Forum examined the factors favouring the dynamic performance of the developing economies in the Asian and Pacific region in the 1980s, at a time when most economies in the rest of the developing world were stagnating. The crucial role played by Japan in catalysing Asian dynamism was discussed, particularly the role of Japanese industry and technical know-how which had been introduced in what was characterized as the "flying geese pattern" for

diffusion of dynamic development impulses. Among the first beneficiaries of that development process were the Asian NIEs followed by the South-East Asian economies. Others in the Asian Pacific region, particularly China and the South-Asian economies, were availing themselves of the opportunities available to serve as potential hosts of the "flying geese" in the third phase of production restructurization in that region.

85. The participants in the Forum emphasized the need to restructure production by maximizing complementarities, vertically as well as horizontally. With regard to the former, North-South cooperation was needed. For the latter, the crucial contribution of South-South cooperation was essential. The Forum commended a triangular model of international economic cooperation where countries North and South participated as partners in the development process. In this relationship, foreign direct investment and technology transfer assumed a status of strategic importance. Developed countries such as Japan could provide growth impulses as centres of resources and technology.

86. The Forum also discussed the important role of the donor countries as well as that of financial institutions, including the Asian Development Bank and the World Bank, in promoting regional cooperation. It was recognized that the process of economic cooperation in Asia and the Pacific offered member countries valuable opportunities to learn from each other's experiences. Hence the Forum recommended a coverage of mutual cooperation broad enough to encompass the Central Asian Republics, as well as the countries and regions in north-eastern Asia.

E. OECD/DAC Meeting on Regional Integration/Cooperation Initiatives of Developing Countries

87. The former indifference on the part of many donors to the process of regional integration among developing countries has undergone a marked change largely as a result of their positive experience with SADCC and ASEAN. In judging the suitability or eligibility for supporting economic cooperation arrangements among developing countries, the donor community is most likely to evaluate them by the existence in those groupings of, inter alia, the following prerequisites:

(a) A pragmatic and realistic approach;

(b) Outward looking market-oriented economic policies;

(c) Substantial involvement of non-public sector (private business and industrial sector) in planning and implementation of regional integration/cooperation initiatives; and,

(d) Existence of political stability.

88. In a policy-level meeting organized within the OECD/DAC framework in Paris in September 1992, the donor community, among other activities, reviewed its development assistance policy with a view to reorienting it in support of the current process of revitalization of regional cooperation in the developing world. Most of the participants considered the efficacy of

regional cooperation to be one of the measures for achieving national development objectives of the member States. In the light of the rapidly transforming political and economic realities and in a situation characterized by new perceptions of development where environmental concerns are being accorded increasingly greater priority, regional cooperation efforts could even be deemed essential, and in some cases indispensable, for achieving sustainable development.

F. Technical cooperation activities 8/

89. UNCTAD technical cooperation activities with direct bearing on ECDC are discussed in this section, which encompasses assistance to economic groupings, cooperation on financial and monetary matters, enterprise cooperation, and new initiatives. A number of other related activities with indirect bearing on the ECDC programme can be found in the "Review of the Technical Cooperation Activities of UNCTAD" (TD/B/WP/76, 6 July 1992).

1. Subregional economic groupings and arrangements

90. In Asia, UNCTAD has been associated with a project to assist member States of the Bangkok Agreement, consequent to the Second Round of Negotiations, to extend membership to Afghanistan and Papua New Guinea. UNCTAD developed and provided trade data covering products of export interest to the prospective member States and of import interest to member States of the Agreement. These data showed the potential for expanding trade through the exchange of tariff preferences. In addition, in response to the request of participating countries of the Bangkok Agreement, UNCTAD, in cooperation with ESCAP and UNDP, has undertaken the necessary technical studies for the establishment of a Regional Investment Information and Promotion Service, for Asia and the Pacific (RIIPS). This would facilitate the promotion of industrial joint ventures and entrepreneurial cooperation in the region. The detailed proposal for the establishment of RIIPS, drafted by UNCTAD, is undergoing scrutiny by the concerned United Nations agencies and member countries.

91. UNCTAD also provided assistance to the Asian Clearing Union (ACU). Thirteen technical studies had been prepared on the benefits and costs to individual ESCAP member countries of joining the ACU. These formed the basis for consultations among the ACU and ESCAP members during a meeting organized jointly by the Central Bank of the Islamic Republic of Iran, ESCAP and UNCTAD. As a follow-up to these consultations, the Philippines and China indicated their readiness to consider joining the ACU. UNCTAD has also provided logistic support and training to the ACU secretariat.

92. For the ASEAN countries, UNCTAD supported the meeting of the national coordinators on ASEAN banking and financial policies, held in Thailand. The meeting drew up a set of concrete policy recommendations to the ASEAN Standing Committee which met in December 1991.

93. In the Arab countries, in cooperation with ITC and UNDP, UNCTAD is assisting the Arab Trade Financing Programme (ATFP) through the drafting of an operational manual on use of credits by the 21 member countries. It is also organizing two seminars on trade financing for intra-Arab trade. Support was

also provided to the Gulf Cooperation Council (GCC), in particular as regards the harmonization of tariffs and related measures. The result of the studies undertaken in this connection should facilitate negotiations among GCC countries for arriving at an agreed structure and rates for a GCC common external tariff. An examination was undertaken of customs administration in several of the United Arab Emirates, with a view to formulating recommendations for streamlining and unifying the administration at the appropriate time.

94. In Africa, UNCTAD provided assistance to the Economic Community of Western African States (ECOWAS) in the areas of coastal shipping, common external tariff and monetary and financial cooperation. With regard to coastal shipping, on the basis of a study undertaken earlier by UNCTAD, the practical aspects of the implementation of its recommendations were explored with the ECOWAS secretariat; a promotional meeting of Governments, subregional organizations and potential investors was held in April 1992. As regards the common external tariff, meetings of customs adminstrations, government officials and economic operators of member countries had been organized in 1991 with a view to examining the basic aspects of a common external tariff for ECOWAS. With respect to monetary and financial cooperation, UNCTAD prepared terms of reference and a work programme relating to the establishment of a single monetary zone. Support is being provided to the Group of Experts of Central Banks in charge of the implementation of the programme for the eventual full convertibility of ECOWAS currencies. Substantive technical support to the West African Clearing House (WACH) continued in 1991 through the revision of the feasibility of a credit fund for the clearing system, including also contacts with potential donors such as the EEC and the World Bank.

95. In the case of the Economic Community of Central African States (ECCAS), UNCTAD provided assistance relating to the rules of origin and harmonization of trade and customs documents, regulations and legislation. A study on the ECCAS compensation fund for loss of budgetary resources consequent to the implementation of the trade liberalization programme was underway in 1992. With regard to the Common External Tariff (CET), the study undertaken for ECOWAS, on the basic aspects of a CET, was being adapted for ECCAS.

96. In Southern Africa, assistance has been given to Lesotho and Swaziland under a subregional project, from which Botswana and Namibia also benefitted, in preparing for negotiations with the Republic of South Africa regarding the Southern African Customs Union Agreement (SACU). This assistance involved the preparation of a number of technical studies and memoranda on various aspects of the SACU Agreement as well as negotiating briefs for the use of BLNS (Botswana, Lesotho, Namibia, Swaziland) negotiators.

97. The Preferential Trade Area for Eastern and Southern African States continued to be a major beneficiary of UNCTAD assistance in the various areas of the PTA's economic cooperation and trade liberalization programmes. These programmes included coverage of payments and monetary harmonization, trade facilitation measures and preparatory work in relation to customs computerization and harmonization.

2. Enterprise sector

98. Most of the activities in the enterprise sector have been undertaken in the framework of technical assistance projects financed by UNDP. This was the case for the meetings of trading enterprises from Africa and Latin America which led to the establishment of the Association of African Trading Enterprises (ASATRADE), the buyers and sellers meeting organized in Argentina for African entrepreneurs, the Havana meeting of enterprise from Africa, Asia, Latin America and Europe, the meeting of trading enterprises of Asian and Latin American countries of the Pacific Rim (Santiago, Chile, November 1992) and the activities for the establishment of a Regional Investment Information and Promotion Service for Asia and the Pacific.

99. Under a separate project, UNCTAD provided assistance to the African, Caribbean and Pacific Group of Countries (ACP) by preparing a draft programme of work for the establishment of joint enterprises by investors of ACP countries.

G. Other initiatives

100. Under a project started in 1991, "Financial and other support to regional and subregional integration groupings", UNCTAD, with the support of the Government of Japan, has been reviewing current international economic assistance programmes for regional groupings and how they are utilized. The objective is (a) to identify the areas where support from the donor community is needed; and (b) to prepare the basis for a new approach to economic cooperation between the regional groupings, on the one hand, and the donor community, on the other. Based on the information so obtained, suggestions will be made to improve the modalities and structures of economic assistance for regional and subregional economic cooperation and integration groupings. The project is expected to provide an opportunity for meetings between representatives of regional groupings and the donor community; there will also be seminars/workshops to assist regional groupings seeking information on access to donor support.

101. Activities have been initiated by UNCTAD to enhance exchange of experiences between subregional economic integration groupings. In this connection, the experience of the ASEAN subregion, in particular its "Dialogue Partners" relationship with donor developed countries, has been selected as offering useful guidance in facilitating subregional cooperation that could be applied selectively in other subregional groupings to combine country-by-country development cooperation efforts along with a subregional approach and to support the efforts of the selected groupings to use subregional groupings as the "building blocks" of enlarged economic space in those areas in the ASEAN region. To that end, organization of seminars, symposiums, and training programmes for subregional integration groupings to draw on the experience of ASEAN will be launched depending on the availability of resources (UNCTAD/ECDC/331).

H. New initiatives

102. One area which needs to be explored by UNCTAD is the potential for regional and subregional economic cooperation of the Central Asian Republics

with their neighbouring Asian economies. Possible areas for cooperation could be: (a) linkages with the private sector institutions and business of the region; (b) the development of intra-trade; (c) improvement of investment climate, particularly intraregional public/private foreign investment; (d) broadening and streamlining of the border trade; (e) provision of credits and financial support for trade; (f) improving and rationalizing the institutional and legal structure to foster growth of the private sector in trade, production and, services in collaboration with the subregional, regional capacities; (g) joint ventures potentials; and, (h) macroeconomic policies in favour of subregional/regional economic cooperation.

103. In view of the diversity of technological development and capabilities of the developing countries, the pooling of resources through varied forms of cooperation becomes even more of a strategic necessity. 9/ Among areas which may be explored to this end, are the following:

(a) facilitating enterprises collaborative ventures relating to technology through, for example, setting up common corporate legal requirements;

(b) devising more flexible mechanisms for implementing cooperation regarding, for example, sectors and geographical locations;

(c) systematically exploring and improving information flows concerning possibilities for technology and business ventures cross-regionally;

(d) designing inter-country schemes for improving creativity and innovation, particularly through diverse forms of incentives and motivation;

(e) increased and improved programmes among developing countries and in the developed countries' enterprises providing opportunities for the training and retraining of personnel, particularly managers and technology innovators, including the provision of course materials.

Table 1

Intra-developing country trade by regions

(Millions of current United States dollars)

Origin (Exporting from)		Destination (Importing to) Africa	Latin America	West Asia	South and South-East Asia*	Oceania	Total developing	World
Africa	1970	672	237	115	259	2	1 285	12 021
	1980	2 978	5 879	1 801	1 130	1	11 789	94 942
	1986	2 821	1 374	1 149	1 179	3	6 526	46 829
	1990	3 933	708	1 717	1 794	4	8 156	66 548
	1991	4 160	844	1 889	2 195	6	9 094	68 031
Latin America	1970	119	3 028	37	149	8	3 341	17 510
	1980	2 399	22 953	1 592	1 419	108	28 471	107 827
	1986	1 706	14 903	1 606	2 373	12	20 600	86 045
	1990	1 948	18 174	2 109	5 957	32	28 220	133 596
	1991	2 366	22 013	2 427	7 121	47	33 974	108 701
West Asia	1970	260	234	781	837	27	2 139	10 581
	1980	3 524	11 745	11 120	25 709	112	52 210	210 976
	1986	3 149	6 734	11 491	14 299	39	35 712	97 150
	1990	5 698	2 452	12 901	16 711	54	37 816	105 976
	1991	6 126	2 502	11 230	15 345	58	35 261	99 748
South and	1970	485	179	374	2 997	59	4 094	14 355
South-East Asia	1980	4 229	3 642	7 461	29 878	539	45 749	141 561
	1986	3 590	3 117	7 401	36 153	530	50 791	193 016
	1990	6 450	6 426	10 521	115 969	1 030	140 396	389 182
	1991	8 500	8 732	12 691	142 114	1 164	173 201	442 562

Table 1 (continued)

Origin (Exporting from)		Destination (Importing to): Africa	Latin America	West Asia	South and South-East Asia*	Oceania	Total developing	World
Oceania	1970	0	0	0	3	6	9	476
	1980	0	6	0	109	83	198	2 184
	1986	1	1	1	232	102	337	2 121
	1990	0	3	2	325	171	501	2 821
	1991	1	4	1	441	150	597	3 304
Total developing	1970	1 536	3 678	1 307	4 245	102	10 868	54 943
	1980	13 130	44 225	21 974	58 245	843	138 417	557 490
	1986	11 267	26 129	21 648	54 236	686	113 966	425 161
	1990	18 029	27 763	27 250	140 756	1 291	215 089	698 123
	1991	21 153	34 095	28 238	167 216	1 425	252 127	722 346
World	1970	11 836	18 616	7 058	18 299	738	56 547	312 100
	1980	84 366	126 071	96 517	150 725	2 994	460 673	2 000 947
	1986	60 524	97 984	80 428	175 693	3 147	417 776	2 112 986
	1990	81 937	132 109	101 501	426 178	5 036	746 761	3 391 753
	1991	83 249	155 154	113 677	493 275	5 297	850 652	3 494 049

Sources: United Nations Statistical Yearbook 1982 (ST/ESA/STAT/SER.S/7).

United Nations Monthly Bulletin of Statistics, June 1990 and June 1992 (ST/ESA/STAT/SER.Q/210 and 234).

* Due to variations in the categorization system of trade destination, some minor discrepancies may exist with other official sources regarding South and South-East Asia data and the separation of the imports of this region from that of the People's Republic of China.

Table 2

Share of manufactured goods in trade

(percentages)

Origin (Exporting from)		Destination (Importing to) Africa	Latin America	West Asia	South and South-East Asia	Total developing	World
Africa	1970	49.9	6.3	26.1	18.1	33.2	20.8
	1980	20.7	1.1	6.4	21.8	8.8	6.4
	1986	34.7	6.4	28.1	35.5	27.7	14.3
	1990	33.5	13.0	39.5	38.2	34.0	18.1
Latin America	1970	19.3	28.9	5.4	14.1	27.6	19.2
	1980	28.1	33.8	17.2	26.2	31.9	19.0
	1986	38.7	39.6	32.1	42.1	39.2	28.5
	1990	43.0	53.6	32.8	55.0	51.6	36.7
West Asia	1970	14.6	0.9	23.4	2.2	11.3	4.6
	1980	9.6	0.1	29.5	1.3	7.6	4.2
	1986	18.9	0.2	41.3	4.8	16.9	11.0
	1990	18.0	1.8	39.1	11.5	21.2	19.8
South and South-East Asia	1970	69.1	62.6	53.7	38.7	45.1	46.8
	1980	71.9	57.3	67.7	47.9	53.9	53.1
	1986	66.2	77.6	71.3	63.4	65.5	71.5
	1990	75.6	86.3	77.1	75.1	75.6	78.5
Total developing	1970	47.6	27.3	31.8	29.4	31.7	23.9
	1980	35.6	22.4	39.7	26.2	28.0	19.9
	1986	40.9	32.2	50.1	46.2	43.2	42.4
	1990	44.7	55.6	53.3	66.1	61.2	55.6
World	1970	76.2	71.1	71.0	64.6	70.0	64.8
	1980	70.0	59.2	72.6	57.7	63.5	56.7
	1986	68.8	65.4	73.0	68.9	68.8	69.3
	1990	70.1	74.2	72.5	76.7	74.8	73.2

Sources: United Nations Statistical Yearbook 1982 and 1987 (ST/ESA/STAT/SER.S/7 and 12).

United Nations Monthly Bulletin of Statistics, June 1990, May 1992 and June 1992 (ST/ESA/STAT/SER.Q/210, 233 and 234).

Table 3

Mutual trade performance of economic cooperation and integration groupings of developing countries, 1981 to 1990

Country group	1981	1985	1986	1987	1988	1989	1990 a/
A. Value of intra-group trade (in millions of dollars)							
AFRICA							
CEAO	396	297	300	416	488	500	575
ECCAS	111	70	125	128	193	235	210
CEPGL	7	10	8	8	10	7	7
ECOWAS	944	1 018	970	1 132	1 298	1 167	1 280
MRU	3	4	4	5	6	6	6
PTA	482	333	372	487	506	582	NA
UDEAC	146	50	84	103	119	193	180
AMERICA							
ALADI	11 180	6 779	8 220	8 574	9 514	10 865	11 670
ANDEAN GR.	944	672	622	1 028	1 011	961	1 192
CACM	940	671	620	428	539	632	664
CARICOM	379	340	300	165	187	270	273
ASIA							
ASEAN	12 651	12 713	11 096	14 691	18 277	21 610	26 290
BANGKOK AGR.	632	1 026	994	1 017	1 193	1 297	1 320
ECO	890	2 410	1 750	1 538	1 337	1 581	1 680
GCC	5 603	2 857	2 750	3 084	3 147	3 622	3 663
B. Intra-group trade as a percentage of total exports of each group							
AFRICA							
CEAO	10.1	7.1	6.5	8.4	10.3	11.1	12.1
ECCAS	2.4	1.4	2.8	2.9	3.7	5.0	3.8
CEPGL	0.2	0.8	0.6	0.7	0.7	0.7	0.6
ECOWAS	4.6	5.2	7.5	7.8	9.2	7.8	6.1
MRU	0.1	0.4	0.4	0.5	0.6	0.6	0.7
PTA	9.0	7.5	6.9	8.9	8.0	6.2	NA
UDEAC	3.0	2.0	3.0	3.2	3.7	4.1	4.3
AMERICA							
ALADI	12.6	9.6	11.5	10.9	10.3	10.5	10.4
ANDEAN GR.	3.4	3.1	3.3	5.5	5.3	3.8	3.8
CACM	20.7	15.9	17.7	13.2	13.9	15.3	15.8
CARICOM	7.4	5.5	5.4	3.0	3.6	4.5	4.0
ASIA							
ASEAN	18.9	17.9	16.7	17.6	17.4	17.7	18.5
BANGKOK AGR.	1.9	2.5	2.2	1.7	1.6	1.6	1.5
ECO	4.2	10.0	9.1	6.1	4.5	5.2	4.5
GCC	3.4	4.6	5.8	5.6	5.4	5.6	4.1

Source: UNCTAD, Handbook of International Trade Statistics 1991, 1989, 1987 and 1983 supplements. United Nations publication. UNCTAD secretariat estimates.

Note: Not all country groups have extended and implemented mutual trade preferences.

a/ Estimates.

NA Not available.

Table 4

Payments and clearing arrangements of developing countries:
Intra-group imports and levels of transactions cleared
(millions of US dollars) 1/

	Intra-group imports	Total transactions channelled	Net settlement in foreign exchange	Ratio (percentages)	
	1	2	3	(2)/(1) 4	(3)/(2) 5
ACU					
1986	1 069.20	690.60	217.00	65	31
1987	1 105.60	625.30	227.80	57	36
1988	1 222.70	940.80	242.30	77	26
1989	1 581.30	1 041.70	208.30	66	20
1990	1 852.50	1 356.10	482.80	73	36
1991	966.00 I Sem,P	1 821.40	420.20		23
CACH					
1986	466.20	189.30	40.40	41	21
1987	526.20	29.30	N.A.	6	-
1988	565.50	5.60	N.A.	1	-
1989	599.30	1.60	N.A.	0	-
1990	639.30	0.10 (Dec)	-	-	-
1991	675.00	140.70	60.00	21	43
CHACH					
1986	125.00	1.30	1.20	1	92
1987	128.00	1.51	1.38	1	91
1988	193.00	1.11	0.81	1	73
1989	235.00	1.58	1.58	1	100
1990	210.00	1.10	0.85	1	77
1991	80.00 I Sem,P	1.20	0.97	-	81
ALADI					
1986	7 674.00	6 672.64	1 066.34	87	16
1987	8 711.00	7 491.79	1 269.23	86	17
1988	9 651.00	8 752.62	1 457.97	91	17
1989	11 147.00	10 136.92	2 512.60	91	25
1990	12 453.00	10 019.59	3 468.99	80	35
1991	13 700.00 P	11 520.74	2 776.40	-	24

Table 4 (cont'd)

	1	2	3	4	5
PTA					
1986	372.00	N.A.	N.A.		
1987	487.00	87.90	48.20	18	55
1988	506.00	142.00	71.10	28	50
1989	325.00	93.00	48.80	28.6	52
1990	369.00	125.10	75.10	33	60
1991	278.00 I Sem,P	140.00	65.00	-	46
WACH					
1986	970.00	89.60	77.20	9	86
1987	1 132.00	58.40	55.40	5	95
1988	1 298.00	32.60	23.30	3	71
1989	1 503.00	13.90	9.50	1	68
1990	1 272.00	48.00	10.30	4	21
1991	784.00	17.00	9.20	2	54

Source: Data on intra-group imports for ACU, CHACH and PTA are based on DOT Statistics Yearbook 1991, IMF. For ALADI and CACH, data were provided by the secretariats of the groupings concerned. Data on WACH are based on UNCTAD Data Bank. Data on transactions cleared through the payments schemes were communicated to UNCTAD by the institutions.

1/ Units of account were converted to US$ using period average exchange rates as reported in IMF's IFS statistics, 1991.

N.A.: Not available. P.: Provisional figures. I Sem = First Semester.

Table 5

Trade-related credits extended by regional institutions
(millions of US dollars)

	1986	1987	1989 b/
BLADEX	556.0	630	860.9
IDB Trade Financing Facility	n.a.	n.a.	56.0
IsDB a/	935.5	680.0	600.0
SAFICO	29.2	11.2	32.7
Total	1 500.7	1 321.2	1 549.6

Source: Trade financing in developing countries: an assessment and evaluation of existing schemes and future requirements, study by the UNCTAD secretariat, August 1991 (TD/B/1300/Suppl.1).

a/ Since 1987, the Islamic Development Bank has established an Export Financing Facility as an autonomous facility.

b/ AMF Trade Financing Facility began operations in 1991.

Table 6

Foreign direct investment by Hong Kong, Republic of Korea, Taiwan province of China and Singapore: stock at end of 1985 and outflows from 1986 to 1990, by destination
(Millions of US$)

Home country	EEC	North America	Asia	Others	Total
Hong Kong a/					
1986	..	320	1 693	445	2 458
1987	..	3 969	2 470	281	6 720
1988	..	3 217	4 405	44	7 666
1989	..	372	4 588	63	5 023
1990	..	..	..	..	
1986-1989	..	7 878	13 156	726	21 867
Republic of Korea: position at the end of 1985	11	154	118	193	476
1986	5	76	2	74	157
1987	7	168	129	22	326
1988	19	90	37	7	153
1989	18	229	124	121	493
1990	92	482	309	136	1 020
1986-1990	141	1 045	602	360	2 149
Singapore: b/ position at the end of 1985	26	56	779	164	1 025
1986	17	0	52	87	156
1987	60	2	29	81	173
1988	-27	25	27	-9	16
1989	-97	50	-6	28	-26
1990	..	..	..	..	..
1986-1989	-38	73	106	193	333

Table 6 (continued)

Home country	EEC	North America	Asia	Others	Total
Taiwan Province of China: position at the end of 1985	3	117	78	16	215
1986	0	46	8	2	57
1987	0	70	18	21	109
1988	4	123	67	17	213
1989	2	509	296	124	931
1990	34	429	601	489	1 552
1986-1990	41	1 177	991	653	2 862

Source: Financial Market Trends, No. 52, June 1992, OECD, p. 23.

a/ Hong Kong does not report official statistics of investment abroad. These figures are based on data by host economies and estimates of the Hong Kong and Shanghai Bank.

b/ Singapore - Foreign direct investment from Singapore to EEC refers only to investments to Germany, Netherlands and United Kingdom, as reported by these recipient countries.

Notes

1/ Kym Anderson, "Is an Asian-Pacific Trade Bloc Next?", Journal of World Trade, pp. 27-40, 1991.

2/ Randall Jones, Robert King and Michael Klein, "The Chinese Economic Area: Economic Integration without a Free Trade Agreement", Economics Department Working Papers No. 124, OECD, 1992.

3/ Vinod Thomas and John Nash, "Best Practices in Trade Policy Reform", World Bank/Oxford University Press, Washington/New York, 1991.

4/ Some countries later anchored their reform policies on some broader commitments, e.g., Bolivia, Venezuela, et al., binding their full tariff schedules in GATT.

5/ For more detailed analysis of the African situation, please refer to UNCTAD/ECDC/228 of 5 August 1992, entitled "Regional and subregional economic integration and cooperation: adjusting to new realities (the African case)".

6/ In March 1991, the Andean Reserve Fund (ARF), which had played an important role as a regional credit fund by providing financial assistance to the Andean Pact's member countries, was made open to all Latin American countries, and renamed Latin American Reserve Fund (LARF). In 1992, its paid-up capital was US$ 645 million, reserves US$ 68.7 million and its accumulated profits around US$ 38.2 million. An important innovation introduced by LARF is the use of the Andean Peso.

7/ See OECD DAC Chairman's Report, Development Co-operation, Paris 1991.

8/ Paragraphs 90 to 99 are from TD/B/WP/76 of 6 July 1992.

9/ See A.B. Jaffe, under sub-chapter F, Technological opportunity and spill-over of R & D. Evidence from firms, patents, profits and market value. In: American Economic Review No. 176, 1986.

- - - - -